

Message Text

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ACTION EB-07

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FM AMEMBASSY OTTAWA

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TAGS EFIN CA

SUBJ WITHDRAWAL OF FOREIGN BORROWING GUIDELINES

1. ON FEBRUARY 27 FINANCE MINISTER JOHN N. TURNER ANNOUNCED THE WITHDRAWAL OF GOC FOREIGN BORROWING GUIDELINES WHICH REQUESTED CANADIAN BORROWERS TO SEEK CAPITAL IN CANADA BEFORE FLOATING ISSUES ABROAD. TURNER STATED THAT HE WAS RESCINDING THE GUIDELINES BECAUSE "THE CURRENT ACCOUNT OF CANADA'S BALANCE OF PAYMENTS IS NOT NOW IN A SURPLUS POSITION AS IT WAS WHEN THE REQUEST WAS MADE."

2. FOLLOWING IS TEXT OF ANNOUNCEMENT:

"FINANCE MINISTER JOHN N. TURNER TODAY ANNOUNCED THE WITHDRAWAL OF THE FOREIGN BORROWING GUIDELINES INTRODUCED BY THE GOVERNMENT IN 1970.

"MR. TURNER SAID THE GOVERNMENT NO LONGER WISHES CANADIAN BORROWERS TO FEEL CONSTRAINED BY THE REQUEST MADE BY HIS PREDECESSOR AND SINCE REPEATED ON SEVERAL OCCASIONS TO EXPLORE FULLY THE AVAILABILITY OF FUNDS IN THE CANADIAN CAPITAL MARKET BEFORE FLOATING ISSUES OUTSIDE OF CANADA. THIS SPECIFIC REQUEST TO CANADIAN BORROWERS IS BEING WITHDRAWN AT THIS TIME BECAUSE THE CURRENT
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ACCOUNT OF CANADA'S BALANCE OF PAYMENTS IS NOT NOW

IN A SURPLUS POSITION AS IT WAS WHEN THE REQUEST WAS MADE.

"MR. TURNER NOTED THAT THE HOUSE OF COMMONS LAST WEEK APPROVED AN AMENDMENT TO CLAUSE 118 OF BILL C-49. THE EFFECT OF THAT AMENDMENT WAS TO EXTEND THE EXEMPTION FROM WITHHOLDING TAX FOR INTEREST ON GOVERNMENT BONDS FOR A FURTHER THREE-YEAR PERIOD - THAT IS, GOVERNMENT SECURITIES ISSUED BEFORE 1979. THIS SHOULD RESOLVE THE IMMEDIATE PROBLEM WHICH HAS BEEN OF PARTICULAR CONCERN TO THE PROVINCES - THE PROBLEM OF ORGANIZING THEIR BUDGETARY AND BORROWING REQUIREMENTS OVER THE DIFFICULT NEXT PERIOD OF SEVERAL YEARS.

"THE MINISTER EXPRESSED CONFIDENCE THAT THESE CHANGES WILL HELP CANADIAN AUTHORITIES AND BUSINESSES IN PLANNING THEIR FINANCIAL AFFAIRS."

3. LATEST STATISTICS AVAILABLE SHOW CANADIAN BALANCE OF INTERNATIONAL PAYMENTS ON CURRENT ACCOUNT (SEASONALLY ADJUSTED SERIES) FOR THIRD QUARTER 1974 IN DEFICIT BY C\$2,076 MILLION. DETERIORATION IN TRADE BALANCE SINCE THIRD QUARTER HAS PROBABLY RESULTED IN INCREASED DEFICIT.

4. ON SAME DAY TURNER'S ANNOUNCEMENT APPEARED, LOCAL PRESS CARRIED ARTICLES ON PROVINCE OF ONTARIO RAISING \$200 MILLION IN U.S. CAPITAL MARKET THROUGH PLACEMENT OF 30-YEAR DEBENTURES WITH SOLOMON BROS. AND WOOD GUNDY INC. PUBLIC OFFERING WILL PROVIDE ONTARIO HYDRO WITH FUNDS TO HELP FINANCE ITS 1975 CAPITAL CONSTRUCTION PROGRAM, ESTIMATED AT \$1.3 BILLION. PORTER

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